

Committee on Ways and Means

Reforming the Medicare Oxygen Payment System is Good Government

The *Deficit Reduction Act* changes oxygen payment from perpetual rental to a rent-to-own payment program after 36 months. The Medicare program will pay for service and repairs to beneficiary's oxygen equipment as well as continue to pay for deliveries of oxygen.

Here Are The Reasons Why Oxygen Payments Need Reform

TODAY....Medicare Pays Significantly More Than the Retail Price to Buy Oxygen Equipment

- According to CMS, nearly 93 percent of Medicare payments for oxygen and oxygen equipment are for concentrators. An easy search on the Internet (froogle.google.com) shows that the average price for an oxygen concentrator is about \$1,000.
- Under current law, however, Medicare pays indefinitely for the rental of oxygen equipment at a rate of approximately \$200 per month (CMS). So after 5 months, Medicare has paid for the piece of equipment. Yet the program continues to make payments for the equipment – and beneficiaries continue to pay coinsurance. Medicare beneficiaries who need oxygen rent the equipment and use it for an average of 30 months, according to CMS. This means that Medicare and beneficiaries will pay several times the cost of the equipment over the course of the rental period.
- The *Deficit Reduction Act* changes this system by transferring ownership of the equipment to the beneficiary after 36 months of rental, so that neither Medicare nor beneficiaries continue to pay for equipment that has been more than paid for.

TODAY...Medicare Seniors Barred from Purchasing Equipment

- Today, beneficiaries are prohibited from using his/her Medicare coverage to purchase an oxygen concentrator and must instead “rent” without any possible benefit from future ownership.
- In fact, a beneficiary on average pays more coinsurance for oxygen equipment than the retail price for the equipment.
 - Currently a Medicare beneficiary pays 20 percent coinsurance for each rental month or about \$40 per month (CMS).

- A beneficiary using oxygen equipment for the average of 30 months currently pays \$1,200 in coinsurance payments during this period. Some beneficiaries pay much more because they use the equipment for longer than 30 months.
- Thus, a beneficiary currently pays more in coinsurance for oxygen concentrators than the price that the equipment is widely available.
- Under the *Deficit Reduction Act*, beneficiaries will be permitted to purchase the equipment after three years of continuous use, which limits their maximum liability to \$1,440 for the equipment.

The *DRA* begins the process of reducing Medicare payments for oxygen and reducing beneficiary coinsurance payments by ending the requirement to rent oxygen equipment indefinitely.